

**REPORT OF THE AUDIT OF THE
GRANT COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period
April 20, 2008 Through April 17, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
GRANT COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period
April 20, 2008 Through April 17, 2009

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the Grant County Sheriff for the period April 20, 2008 through April 17, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$11,005,551 for the districts for 2008 taxes, retaining commissions of \$356,469 to operate the Sheriff's office. The Sheriff distributed taxes of \$10,648,570 to the districts for 2008 taxes. Refunds of \$3,853 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Darrell Link, Grant County Judge/Executive
Honorable Charles E. Dills II, Grant County Sheriff
Members of the Grant County Fiscal Court

Independent Auditor's Report

We have audited the Grant County Sheriff's Settlement - 2008 Taxes for the period April 20, 2008 through April 17, 2009. This tax settlement is the responsibility of the Grant County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Grant County Sheriff's taxes charged, credited, and paid for the period April 20, 2008 through April 17, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to



To the People of Kentucky
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provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

October 26, 2009

GRANT COUNTY
CHARLES E. DILLS II, SHERIFF
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period April 20, 2008 Through April 17, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,391,115	\$ 1,265,528	\$ 5,402,368	\$ 1,178,673
Tangible Personal Property	106,888	125,965	418,911	215,281
Fire Protection	1,412			
Franchise Taxes	182,844	195,555	712,494	
Additional Billings	171	194	678	469
Bank Franchises	60,827			
Penalties	8,828	8,057	33,689	7,647
Adjusted to Sheriff's Receipt	(27)	25	(69)	(7)
Gross Chargeable to Sheriff	✓ 1,752,058	✓ 1,595,324	✓ 6,568,071	✓ 1,402,063
<u>Credits</u>				
Exonerations	4,051	4,394	15,234	9,441
Discounts	22,697	19,828	83,443	19,425
Delinquents:				
Real Estate	18,390	16,724	69,467	15,575
Tangible Personal Property	945	1,113	3,615	2,249
Franchise Taxes - Unbilled			5,374	
Total Credits	✓ 46,083	✓ 42,059	✓ 177,133	✓ 46,690
Taxes Collected	✓ 1,705,975	✓ 1,553,265	✓ 6,390,938	✓ 1,355,373
Less: Commissions (a)	72,791	66,014	159,773	57,891
Taxes Due	✓ 1,633,184	✓ 1,487,251	✓ 6,231,165	✓ 1,297,482
Taxes Paid	✓ 1,633,241	✓ 1,487,251	✓ 6,231,347	✓ 1,296,731
Refunds (Current and Prior Year)	520	556	2,082	1,207
(Refunds Due Sheriff)		(b)	(c)	
as of Completion of Audit	\$ (577)	\$ (556)	\$ (2,264)	\$ (456)

(a), (b), and (c) See Next Page.

The accompanying notes are an integral part of this financial statement.

GRANT COUNTY
 CHARLES E. DILLS II, SHERIFF
 SHERIFF'S SETTLEMENT - 2008 TAXES
 For The Period April 20, 2008 Through April 17, 2009
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	4,604,613
2.5% on	\$	6,390,938

(b) Special Taxing Districts:

Library District	\$	(233)
Health District		(119)
Extension District		(111)
Soil Conservation District		(40)
Mental Health District		(53)
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(Refunds Due Sheriff)	\$	<u>(556)</u>
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(c) School Districts:

Grant County Schools	\$	(2,219)
Williamstown Independent		(45)
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(Refunds Due Sheriff)	\$	<u>(2,264)</u>
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GRANT COUNTY
NOTES TO FINANCIAL STATEMENT

April 17, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Grant County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

GRANT COUNTY
NOTES TO FINANCIAL STATEMENT
April 17, 2009
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Grant County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 17, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 12, 2008 through April 17, 2009.

Note 4. Interest Income

The Grant County Sheriff earned \$2,243 as interest income on 2008 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office. The Sheriff was in substantial compliance with his statutory responsibility regarding interest.

Note 5. Sheriff's 10% Add-On Fee

The Grant County Sheriff collected \$51,746 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Grant County Sheriff collected \$7,930 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The advertising costs and advertising fees were used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2008 taxes, the Sheriff had \$4,006 in unrefundable duplicate payments and unexplained receipts. For the 2006 taxes, the Sheriff had \$4,365 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Darrell Link, Grant County Judge/Executive
Honorable Charles E. Dills II, Grant County Sheriff
Members of the Grant County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Grant County Sheriff's Settlement - 2008 Taxes for the period April 20, 2008 through April 17, 2009, and have issued our report thereon dated October 26, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grant County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Grant County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Grant County Sheriff's Settlement - 2008 Taxes for the period April 20, 2008 through April 17, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Grant County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

October 26, 2009

